

BACKGROUNDER 1-0866
DOUGLAS ROBERTS/CAIRO

JUNE 1, 1976

EGYPT'S ECONOMY

ANNCR:

VOA CORRESPONDENT DOUGLAS ROBERTS HAS BEEN VISITING EGYPT WHICH HE SAYS IS MAKING LARGE SCALE EFFORTS TO OVERCOME THE NATION'S ECONOMIC CRISIS. HE SENDS THIS BACKGROUND REPORT FROM CAIRO.

VOICE:

PRESIDENT ANWAR SADAT RECENTLY OBSERVED THAT TWENTY-FIVE YEARS AGO, EGYPT WAS AMONG THE WEALTHIEST OF ARAB NATIONS, BUT THAT THREE MORE WARS WITH ISRAEL AND THE CONSEQUENT EMPHASIS ON MILITARY EXPENDITURE LEFT THE EGYPTIAN ECONOMY IN A SHAMBLES. NOW DESPITE IMMENSE DIFFICULTIES, CAIRO IS BEGINNING TO CONCENTRATE ON DEVELOPMENT AND RECONSTRUCTION, AND JUST ABOUT ANYONE HERE WILL TELL YOU, THE EGYPTIAN PEOPLE WELCOME THE SHIFT.

BUT CLEARLY, ECONOMIC PROGRESS HERE IS GOING TO BE A SLOW AND PAINSTAKING PROCESS. EGYPT IS FACED WITH A HUGE BALANCE OF PAYMENTS DEFICIT, ESTIMATED BY PREMIER MANDUH SALEM AT MORE THAN TWO THOUSAND MILLION DOLLARS FOR THIS YEAR ALONE. INFLATION FORCED THE GOVERNMENT TO INCREASE SUBSIDIES FOR ESSENTIAL GOODS LIKE FLOUR, CHEESE, SUGAR, COOKING OIL, AND A TYPE OF BEAN CALLED "FOUEL," WHICH FORMS THE BASIC DIET OF EGYPTIAN PEASANTS. GOVERNMENT SUBSIDIES, ESTIMATED AT SEVEN HUNDRED MILLION DOLLARS THIS YEAR, MAY KEEP THE EGYPTIAN CONSUMERS HAPPY, BUT EXPERTS SAY THEY ARE A FURTHER STRAIN ON FOREIGN CURRENCY RESERVES. MANY OF THE SUBSIDIZED GOODS ARE IMPORTED, AND SUBSIDIZING THEM, SAY THE EXPERTS, TAKES MORE CAPITAL AWAY FROM DEVELOPMENT PROGRAMS.

OVERPOPULATION IS ANOTHER MAJOR PROBLEM. CURRENT ESTIMATES PUT THE NUMBER OF EGYPTIANS AT AROUND THIRTY-EIGHT MILLION, AND A GOVERNMENT DOCUMENT SAYS THAT FIGURE IS LIKELY TO DOUBLE BY THE YEAR TWO THOUSAND.

EXPERTS SAY EVEN THE EGYPTIAN DEVELOPMENT EFFORTS ARE HAMPERING ECONOMIC RECOVERY, SINCE THE AMBITIOUS PROGRAMS REQUIRE A HEAVY FLOW OF CAPITAL.

TO FACE UP TO THESE PROBLEMS, CAIRO ANNOUNCED PLANS OR A SERIES OF AUSTERITY MEASURES, INCLUDING GOVERNMENT SPENDING CUTS, NEW TAXES ON IMPORTS OF NON-ESSENTIAL GOODS, AND WAGE AND PRICE CONTROLS. THIS WAS COUPLED WITH MONETARY REFORM AND WHAT IS CALLED HERE THE OPEN-DOOR POLICY, A LIBERALIZATION OF CURRENCY AND COMMERCIAL REGULATIONS DESIGNED TO ATTRACT FOREIGN INVESTMENTS.

CAIRO IS BRISTLING WITH FOREIGN BUSINESSMEN FROM THE UNITED STATES, JAPAN AND WESTERN EUROPE. AND ALTHOUGH MANY COMPLAIN OF ITS ADMINISTRATIVE AND BUREAUCRATIC OBSTACLES, JOINT VENTURES ARE BEGINNING TO EMERGE, A TREND WARMLY WELCOMED BY OFFICIALS HERE. EXPERTS FROM THE INTERNATIONAL MONETARY FUND HAVE MADE REPEATED VISITS TO CAIRO IN RECENT MONTHS TO ADVISE THE GOVERNMENT ON APPROPRIATE REFORM MEASURES.

IN ADDITION TO EFFORTS ON THE DOMESTIC FRONT, PRESIDENT SADAT LAUNCHED A PERSONAL AND HIGHLY SUCCESSFUL CRUSADE FOR ASSISTANCE FROM FRIENDLY NATIONS. HIS TOUR OF ARAB OIL-PRODUCING STATES LAST FEBRUARY RESULTED IN COMMITMENTS OF AT LEAST SEVEN HUNDRED-FIFTY MILLION DOLLARS IN AID AND CREATION OF AN ARAB FUND TO STRENGTHEN THE EGYPTIAN ECONOMY. MISTER SADAT WON MORE PROMISES OF SUPPORT FROM WESTERN EUROPE

AND THE UNITED STATES. THE U.S. HAS ALREADY GIVEN EGYPT SOME TWO HUNDRED-FIFTY MILLION DOLLARS WORTH OF AID THIS YEAR, AND PENDING CONGRESSIONAL APPROVAL, THAT FIGURE COULD REACH ONE THOUSAND MILLION DOLLARS.

ALTHOUGH EGYPTIANS CLEARLY WELCOME FOREIGN AID, MANY INFLUENTIAL PEOPLE HERE STRESS SELF-RELIANCE. A LEADING MEMBER OF THE ARAB SOCIALIST UNION, EGYPT'S SOLE POLITICAL ORGANIZATION, TOLD V-O-A THE BATTLE FOR ECONOMIC DEVELOPMENT WILL ULTIMATELY BE WON THROUGH THE EFFORTS OF THE EGYPTIANS THEMSELVES. AND INDEED, THIS COUNTRY HAS MANY RESOURCES. EGYPT IS ALREADY A NET EXPORTER OF OIL, AND PRESIDENT SADAT SAYS THAT BY NINETEEN EIGHTY, THE COUNTRY WILL PRODUCE ABOUT ONE MILLION BARRELS OF CRUDE OIL PER DAY FROM OFFSHORE DEPOSITS IN THE GULF OF SUEZ AND THE RED SEA. THE SEARCH FOR NEW DEPOSITS IS CONTINUING WITH SOME SUCCESS. ONE DIPLOMAT HERE DESCRIBED THE PROSPECTS AS VERY ENCOURAGING. NOT MANY PARTS OF EGYPT HAVE ESCAPED OIL EXPLORATION TEAMS, HE SAYS, AND BOTH OIL AND NATURAL GAS DEPOSITS HAVE BEEN FOUND IN SEVERAL REGIONS.

THE SUEZ CANAL, REOPENED LAST JUNE FOLLOWING ISRAELI TROOP WITHDRAWALS, IS EXPECTED TO PRODUCE AROUND FIVE HUNDRED MILLION DOLLARS IN PASSAGE FEES THIS YEAR, A FIGURE LIKELY TO INCREASE WHEN A PROJECT FOR WIDENING THE CANAL IS COMPLETED. THERE ARE ALSO PLANS TO EXPAND THE TOURIST INDUSTRY AND AGRICULTURAL PRODUCTION. THESE TWO AREAS OF ACTIVITY ARE EXPECTED TO FIGURE PROMINENTLY IN A NEW FIVE-YEAR DEVELOPMENT PLAN DUE TO BE UNVEILED SOON.

ALTHOUGH EGYPTIAN OFFICIALS RARELY ADMIT THAT THE IMMEDIATE OUTLOOK FOR THE ECONOMY IS FAR FROM BRIGHT, THEY HAVE CLEARLY MADE A FIRM COMMITMENT TO PROMOTE ECONOMIC DEVELOPMENT, AND THEY SEE REASONS TO BE OPTIMISTIC ABOUT CHANCES FOR PROGRESS IN THE NOT-TOO-DISTANT FUTURE.

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